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FISCAL IMPACT STATEMENT

LS 7841

BILL NUMBER: SB 621

NOTE PREPARED: Jan 17, 2005

BILL AMENDED:

SUBJECT: Certificate of Need for Health Facilities and Services.

FIRST AUTHOR: Sen. Dillon

BILL STATUS: As Introduced

FIRST SPONSOR:

FUNDS AFFECTED: X GENERAL
X DEDICATED
FEDERAL

IMPACT: State

Summary of Legislation: This bill establishes the Certificate of Need Committee. The bill requires the Committee to review specified health services and facilities and allows the Committee to review other categories of health services to determine whether a certificate of need should be required. The bill allows the chairperson of the Committee to establish subcommittees. It also requires the Committee to review and make determinations on certificate of need applications. The bill allows the State Department of Health to set certificate of need application fees.

Effective Date: July 1, 2005.

Explanation of State Expenditures: *Certificate of Need (CON) Committee:* This bill establishes the 11-member CON Committee consisting of 10 lay members and 1 state employee. The expenses of the Committee are to be paid by the State Department of Health. The expenses of the Committee will be dependent upon the number of meetings and the travel expenses of the individuals appointed. Lay members of the Committee are entitled to a \$50 per diem for meeting attendance. As a point of reference for costs of committees, Legislative Council resolutions in the past have established budgets for interim study committees ranging from \$6,000 to \$9,000 per interim for committees with fewer than 16 members.

The State Department of Health is charged with providing staff for the Committee. The level of resources and staffing necessary to conduct the certificate of need review provisions in the bill are indeterminate at this time. This bill requires that the Committee to review a specified list of services or facilities in order to determine if a certificate of need should be required in order to provide the services. If the Committee determines that a certificate of need will be required for the category, then the Department is required to promulgate the rules

necessary to implement a CON program.

Potential CON Programs: While the bill requires the Department to establish fees at a level to cover the expenses of a program, the implementation stage will require some level of expenditures prior to the implementation of a CON program. If a particular service or facility type would be determined to require CON, then rules would need to be promulgated and review criteria and standards would need to be determined prior to the receipt of any applications with accompanying fees being submitted to the Committee for review. Some level of funding from other sources will be required to provide for the start-up costs of the program.

Background on Michigan CON Program: The state of Michigan operates an ongoing Certificate of Need program. While the Michigan program appears to require a broader scope of review and the state is larger than Indiana (by approximately 57%), the staffing levels and budgeted expenditures may be indicative of the resources necessary to operate a program. Michigan employed 12 staff members and in FY 2001, the program had total expenditures of \$1.4 M. Of the total expenditures, 52% was funded with fees charged for applications and reviews. The remainder, \$0.7 M, was funded with state general funds.

Explanation of State Revenues: *Potential CON Programs:* The bill requires the Department of Health to establish fees for the filing of a CON application and for the review of the application if a CON program is implemented. The fees must be set at a level sufficient to cover the cost of administering the program. The amount of the fees would be dependent upon the services and facilities that the Committee would determine to require CON, the number of applications the Department might expect to receive, and the anticipated cost of administering the program. While fee income is indeterminate at this time, the Michigan Certificate of Need application fees are:

\$750 for projects costing up to \$150,000;
\$2,750 for projects costing from \$150,000 up to \$1.5 M; and
\$4,250 for projects costing more than \$1.5 M.

In Michigan, the fee revenue raised was \$731,259 in FY 2001. This was 52% of the total program cost that year. Michigan's CON program requires the review of projects involving the acquisition or replacement of specialized medical technologies such as MRI, Lithotripsy, and cardiac catheterization services.

Explanation of Local Expenditures: *Potential CON Programs:* County-owned hospitals and possibly health care facilities, should the Committee decide to include this category under certificate of need, would be subject to the application fees required by this bill.

Explanation of Local Revenues:

State Agencies Affected: Indiana State Department of Health; Family and Social Services Administration.

Local Agencies Affected: County-owned hospitals and health care facilities.

Information Sources: Zach Cattell, Legislative Liaison for the State Department of Health, 317-233-2170; "Certificate of Need Program, Annual Activity Report, October 2000 Through September 2001, (FY 2001) , Michigan Department of Community Health; "Evaluation of Certificate of Need in Michigan, Final Report, by Christopher J. Connover, Ph.D. and Frank A. Sloan, Ph.D., Center for Health Policy, Law and Management, Terry Sanford Institute of Public Policy, Duke University, May 2003.; and the Michigan Department of Community Health, Certificate of Need Application Process at

www.michigan.gov/mdch/0,1607,7-132-2945_5106_5406-25566-,00.html

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